



# BUY, BORROW, DIE

THE SMART (AND LEGAL) WAY THE RICH AVOID PAYING MORE TAXES

## Overview

Investing is one of the most effective ways to build wealth, but **taxes can significantly erode returns over time.**

A strategy commonly used by high-net-worth families, known as **Buy, Borrow, Die**, seeks to **reduce taxes, preserve capital, and maximize the power of long-term compounding.**

Law professor **Edward J. McCaffery** came up with the idea of "Buy, Borrow, Die" in the 1990s. This idea has come back into the public conversation about tax efficiency and estate planning.

## So, What Is Buy, Borrow, Die?

Buy, Borrow, Die is **not** a loophole, tax dodge, or aggressive legal tactic. Instead, it simply uses existing tax rules to minimize taxable events. **The three core components are in the name:**

### Buy

*appreciating assets*

Wealthy investors accumulate assets expected to grow, such as stocks, real estate, or business interests. **By buying and holding, gains remain unrealized, meaning no capital gains tax is triggered.** 

### Borrow

*against those assets*

Instead of selling appreciated assets to generate cash (*triggering taxes*), investors **borrow against their portfolios**. This may involve:


- Real estate lines of credit
- Margin loans
- Securities-based lines of credit (SBLOCs)
- More advanced institutional-style lending



Borrowed funds are not income and are typically not taxed while the underlying portfolio remains invested and compounding. This can **significantly enhance long-term wealth if managed properly**, though it comes with interest costs and lender requirements.

### Die

*and transfer assets with a step-up in basis*

When assets pass to heirs, current law (IRC §1014) provides a **step-up in basis**, resetting the cost basis to fair market value at death. If heirs sell at that value, prior gains effectively avoid capital gains tax. Outstanding loans must still be **repaid** by the estate, but long-term compounding often leaves more than enough value for heirs. 

## A Simplified Example of Buy, Borrow, Die

Maria invests \$1 million into a diversified portfolio. If it grows at ~7% annually, it becomes nearly \$2 million after ten years.

If she sold it, she would owe capital gains taxes.  
(potentially \$250,000+ depending on state and federal rates)



Instead, she:

- Holds the investments, avoiding taxable events
- Borrows against the portfolio to fund purchases and opportunities
- Continues compounding long-term
- Ultimately passes assets to her heirs with a step-up in basis

This approach allows her to access liquidity, preserve investment growth, and potentially minimize taxes across generations.

## Does Buy, Borrow, Die Work for Everyone?

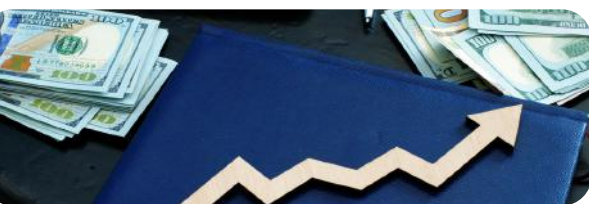
The strategy can be **powerful**, but it is not suited to every investor. This strategy is best evaluated within a broader wealth plan that considers risk tolerance, cash flow needs, and estate objectives.

### Advantages

- Defers capital gains taxes
- Preserves long-term compound growth
- Allows tax-efficient access to liquidity
- Supports multigenerational wealth

### Considerations

- Requires significant assets to be effective
- Interest costs and market risk must be managed
- Estate or inheritance taxes may still apply
- Tax law changes could affect outcomes



## Final Thoughts

Buy, Borrow, Die illustrates how thoughtful planning and tax-aware strategies can meaningfully influence long-term wealth outcomes.

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## Have Questions on the Buy, Borrow, Die Strategy? Schedule a 15-Minute Discovery Call to Discuss!

